Current economic conditions adversely affect minority media ownership, since credit requirements and lending to small- and medium-sized companies have been substantially curtailed. We would favor an allocation of up to 1 percent of the $260 billion unused TARP funds to be allocated for low- or no-interest loans to enhance minority media ownership.

Your diversity committee recommends that the FCC implements outreach programs relating to investing in minority and women ownership. This is an excellent idea. We would be willing to co-host, with this Commission, an outreach program sponsored by the major financial institutions. This could include banks that already lend to the entertainment industry, such as City National Bank.

In conclusion, this Commission is in a unique position to change corporate DNA. A first step would be to hold a diversity conference in Hollywood this summer, attended by all Commissioners, invite a broad array of media --

both regulated and unregulated -- and invite leaders for 110 minorities to discuss the future view of diversity in America.

This Hollywood conference could hopefully lead to individual meetings with the leadership from black, Hispanic and media organizations to positively change the diversity of both media ownership and media portrayals of minorities.

Thank you.

MR. REED: Thank you, Faith. Our next panelist is David Honig. David Honig co-founded the Minority Media and Telecommunications Council in 1986. MMTC currently represents over 70 minority, civil rights and religious national organizations in selected proceedings before the FCC and other agencies. And it operates the nation's only full-service, minority-owned media and telecom brokerage.

David serves MMTC as president and executive director, and is general counsel of the Broadband Opportunity Coalition, through which the nation's leading civil rights organizations advance broadband adoption, literacy and ownership diversity.

David has practiced communications and civil rights law since 1983, specializing in electronic red-lining and race discrimination cases. He has taught and written extensively about issues and the intersection between civil rights and international and domestic communications. The National Law Journal has named David one of the 30 most influential communications lawyers.

David chairs the Constitutional Issues Subcommittee of the FCC Advisory Committee on Diversity for Communications in the Digital Age, and he serves pro bono as special counsel for civil rights for the Florida State Conference of the NAACP.

He holds a B.A. in math from Oberlin College, an M.S. in systems analysis from the University of Rochester, and a law degree, cum laude, from Georgetown University.

David.

MR. HONIG: Tom, thank you so much. I want to talk about four things: Why minority ownership is so important, what the status of it is now, its impact on consolidation, and what can be done to improve it.

We often speak of minority ownership and diversity in the same voice. And that is important. But people often forget that the ability of all citizens to fully monetize and make use of their inherent creative, managerial and technical skills is critical not just to diversity, but to efficiency and competitiveness.

In 2003, when we last had an opportunity to address this in comments, the last Quadrennial that we had, we said, In the electronic media, a key input into production is the quality and diversity of the ownership pool, consisting of the companies whose management teams, business plans, talent and creativity are the basis for organizing and deploying all other inputs to production. The diversity of the ownership pool is an especially critical input in broadcasting, for which business creativity so often translates into ability to attract creative people to the line staff and manage them effectively.

And, of course, in terms of diversity, we can't overemphasize the criticality of minority ownership for what the Commission is really about -- promoting diversity of voices.

We said in 2003, in the docket at that time, minority owners tend to predominate in niche formats on stand-alone stations, thereby further promoting content diversity. The viewpoints of minorities, including the diversity of viewpoints held within minority communities, can enrich public discourse, reduce stereotyping, and unify the nation.

You've heard this morning about the study that Al Hammond, Cathy Sandoval, and I did last year on the status of minority ownership. And I wanted to just cite you a few of the findings that give an overview of what minority broadcasters contribute in terms of diversity.

A majority of minority-owned commercial radio broadcasters air minority formats. Seventy-five percent of minority-owned stations broadcast Spanish, urban, urban news, Asian, ethnic, and minority-oriented religious formats such as gospel and Spanish-Christian.

We concluded that the correlation between minority radio ownership and diversity in program service is robust. This pattern of a nexus between minority radio ownership and content has been repeated for more than 30 years.

Seventy-five percent of minority commercial radio owners actively chose these formats absent any government compulsion to do so. And drilling down deeper, 36 percent of minority-owned commercial radio stations broadcast Spanish formats, 17 percent urban or African-American formats, including urban news and talk, and 3 percent Asian formats.

Just two weeks ago, the Pew Research Center released a study on African-American uses of media. And it's interesting to note that, notwithstanding the purported "death of radio," here's what they found: 28 percent of African-Americans regularly read black websites and blogs; 30 percent read black newspapers; 60 percent read black magazines; 62 percent regularly listen to black news or talk radio. So it's not dead.

Now, what are the statistics in terms of a photograph?

We found in this study that minority-ownership of commercial radio has gone down from 1977 -- I'm sorry, 2007, when Free Press pegged it at 7.78 percent, to 7.24 percent in just 2 years. Three percent or less of television stations -- and it ought to be noted that these numbers, as atrocious as they are, disguise the fact that less than 1 percent of industry asset value is minority-owned radio and television stations.

One reason for that is that a significant majority of minority commercial owners control only one station. In fact, only 3 minority broadcasters controlled more than 25 commercial radio stations in 2009.

Now, what's the impact of consolidation? The GAO did a report in 2008 that identified three primary barriers to minority ownership as being large scale of ownership, lack of access to capital, and repeal of the tax certificate. And its findings on consolidation are very important to note, and I'll just quote them.

They interviewed 56 people, 36 of them who mentioned barriers to ownership reported that the consolidation of broadcast ownership had been detrimental for minority and women owners in several important ways.

"First, few stations are made available for purchase, limiting opportunities for the entry of new owners such as minorities and women. Second, incumbent owners may prefer to trade stations with other incumbent owners rather than sell stations. Given the limited ownership by minorities and women today, trading does little to expand their ownership. Third, when stations become available for sale, investors and other financing entities prefer multiple- station purchases rather than single-station purchases in order to capture economies of scale. Like trading, such transactions favor incumbent companies that are well established, over new entrants such as minorities and women.

Lastly, the scale of the industry affects the viability of current and prospective minority and women owners, since these owners must often compete with large conglomerate owners with sizable market share and greater resources."

As we said last time we commented on this, in 2003, "Consolidation can magnify the influence of past discrimination in radio ownership. Past discrimination has left minorities with insufficient broadcast assets to form an equity base from which they can acquire more properties." And, of course, underlying that is the well-known gap in wealth which still, for African-Americans and Hispanics stands at about 5.5 to6 to 1. And it's with wealth that you get friends-and-family money and are able to grow in the business.

We also found that in our experience, through our media brokerage, it's rare for a station to be sold to a new entrant in competition with a company that can consolidate vertically or horizontally. The investment community will regard the station as worth more if it's sold to the consolidator. Consequently, an in-market competitor will almost always prevail against an out-of-market company or a new entrant in a bidding contest to purchase an in-market station.

We also pointed out that as consolidation proceeds, eventually there simply are no more assets in play for which small and minority entrepreneurs can bid competitively against larger companies and that, after deregulation, many minority-owned incumbent broadcasters will come under intense pressure from their investors to sell to consolidators.

Now, what can be done about this? I'm going to save for questions some of the other barriers to entry and barriers to success that we know of very well -- discrimination in advertising, the risk of performance royalty being imposed. Of course, the state of the economy and loss of advertising revenue, competition from other platforms and Adarand, that we've already heard about, and the demise of the tax certificate that we're still trying to get back.

We have before the Commission, on our own behalf and on behalf of some 30 national organizations, a couple dozen proposals to advance minority ownership -- both on reconsideration, and also through comments in the last Quadrennial proceeding that are still pending. And also in the form of the MMTC Radio-Rescue Petition, which contains 17 mostly engineering recommendations to foster minority ownership.

But there's three in particular I want to point out that are really big-picture items.

One of these really is appropriate to address in this new Quadrennial review, which is that around the edges of the rules which the Commission often focuses on, perhaps in some instances a particular type of transaction such as incubating a minority or woman owner getting into a market that's tough to get into might justify a waiver of a rule where a large company is already bumping up against a limit of how many stations it can acquire in that market.

This has to be done very carefully, and it needs to be limited. And certainly, it has to be cost-benefit justified. But sometimes it can be, and the Commission ought to consider it. That incubation proposal is not new. It was first advanced by us and NABOB in 1990. The Commission put it out for comment in 1992. And it is now in its fifth docket waiting to see if there will be a vote on it.

Second is, as discussed in this last panel, the adoption of full-file review that there's something a little less dilute than just a small-business criteria, but would still be race-neutral and would pass scrutiny under "rational basis" to focus more clearly the benefit of Commission initiatives and programs on minorities and women.

And third is the big engineering picture of what's going to happen to AM radio. Two-thirds of minority-owned commercial radio stations are AM stations. And, of course, you can't pick them up in some areas very well at all, for reasons all of us who studied engineering know. In the digital age, they could get left behind. Only 4 percent of young people listen to them. Oh, my goodness, are we going to lose minority-ownership, two-thirds of it, if we lose AM radio?

We propose, as has the Broadcast Maximization Committee, and Jack Mullaney who originally filed this, our engineer, the exodus of most AM stations to what is now channels 5 and 6, and their conversion into FM facilities, that would, we would estimate, triple the asset value of minority-owned radio the minute it happened.

We've recommended that we take the same approach to this as the Commission very wisely took in 1987 to DTV, which is to form a Federal advisory committee, get all the people in the room who are stakeholders, and some of whom think this can't possibly work because we disagree with each other too much -- get them in the room, close the door and don't let them out until we fix it.

MR. REED: Thank you, David. Our next guest is Mr. Michael Roberts. Michael is the author of Action Has No Seasons: Strategies and Secrets to Gaining Wealth and Authority. Over the past 30-plus years, he has amassed a business empire that includes three full-power television stations. He serves, or has served, on the board of directors of the International Council of Shopping Centers, the National Association of Black Hotel Owners, Operators, and Developments.

Michael is the recipient of numerous awards such as the 2009 Trumpet Award for business, the 2007 Ernst and Young Entrepreneur of the Year Award, the Morehouse College Distinguished Leader Award.

He's been a participant in some of our country's most prestigious programs -- the Citizen Ambassador Program, Securities Delegation to China in '96, the Army War College in 2001, the Joint Civilian Orientation Conference trip to South America in 2008.

Robert's broadcasting company was founded in 1989 by Michael and his brother Steve, and is licensee for WRBU-TV, Channel 46 in St. Louis, Missouri, the first African-American-owned full-power television station to enter the St. Louis market in over 20 years.

WRBU is an affiliate of FOX-owned MyNetwork TV. WRBU broadcasts to over 2.5 million viewers in the St. Louis ADI.

Michael received his Juris Doctorate degree from St. Louis University in 1974.

Michael.

MR. ROBERTS: Thank you. Good morning. I think that in the interest of the Commission, perhaps with the number of skeletons we've heard today, it's time for someone to actually place some meat on those skeletons and give you statements that are much more anecdotal than perceived as being possible rule changes, even though I will proffer some of those this morning, as well.

As stated in the introduction, my brother Steve and I started our company, our broadcast side of our company, in 1981. We became an applicant for a full-power UHF station in St. Louis. At the time, you had rules that preferred minority applicants. We were approached by a consultant. We had very little understanding of the process, even though we both took courses in our respective colleges, and actually had radio shows and did a few internships that one might do as a course of matriculating in universities.

So we told the consultant, yes, let's go for it. And then they proceeded to share with us how to identify a law firm, an engineering firm and make application. We thought we would be in pretty good shape. As African-Americans, my brother and I were both city councilmen, we were businessmen, so we were going to be involved in the day-to-day operations of our station, as well as be able to bring to our community notable points of interest, based on the type of programming we would have at that time.

Well, everything was going fine until seven other applicants, all of whom claimed to be minorities, applied against us. It then took until 1989 before we actually went on the air, from 1981. At the time, we weren't rich, we weren't poor, but we never had any money. So we had to find our way through creative ways of setting up our various other businesses to fund the process that you had before -- all applicants at the time.

Shortly after that, of course, we ultimately won, and then we became very aggressive. We then bought a license in Denver, and then Raleigh-Durham, Nashville. We kept going and we ended up applicants and winning licenses in Albuquerque and a few other locations -- Salt Lake City, to be specific.

And as we began to develop this model of full-power TV station ownership, some of which were just licenses, and unable to find financing, we had to spend and look at other choices.

About that time, there was an emerging company, ACME Communications, who was looking to start a broadcast group using the CW as their base programming. We ended up striking a relationship, and I think we placed I believe, three of our stations into that mix. At the same time, Paxton was expanding, and we sold two or three of our stations to Paxton. Why? To raise money to build some of our other activities.

But right about that same time, you were coming out with the concept of digital phones. And there was going to be this tremendous auction process. And we decided that since we were so familiar with the FCC, that we would actually get into the phone business. Why not?

So as a result of capitalizing that process, we again sold off some of our stations. And at the same time, we were merging to create a public company with some of our stations, while keeping other stations, like Denver and St. Louis, in play within our own family of businesses.

In those particular two stations, we were able to produce local programming -- an "In Your Interest," show, for example, or "The Mike and Jeanie Show" -- shows that brought young people to our station to watch us, out of curiosity if nothing else, because they were interested in seeing, well, what is this all about? And it was working pretty well.

When we decided to go into the broadband side of things, and pursue the auctions for our digital phone business, we actually ended up winning several. Our first process, or concept, was to bid on licenses around the cities where we owned TV stations. So this is sharing with you why ownership in one segment of your area, FCC, can expand the prospects of additional opportunities within the control of the FCC.

Now, what we found was we had a model. We realized that if you were going to -- if we were going to build a phone company, we would have our TV station as a form of advertising, to promote it, to have people to build it. We were pretty naive at the time. We thought maybe that would be the way to do it. And actually, I guess it is.

Unfortunately we were outbid by many of the others. You see, we were in the C&F blocks -- the blocks that were set up for designated entities. And we thought that was pretty cool when you started it off, it was women and minorities. And then suddenly you had to change it to small business.

But when you changed it to small business, you defined business as doing less than $50 million a year. So I'm not sure that you gave us any advantage as a result of that, because you ended up allowing for rural phone companies to compete with us.

Nevertheless, we prevailed in the Greater St. Louis Area. We then met with Sprint, we became a Sprint affiliate. We ultimately built our facility. The financing at that time was vendor financing, something that most of us normally wouldn't know about. But we discovered that there was a thing called "vendor financing," that's where, in this case, the vendors of the product actually lent us the $53 million to build.

We built, then we merged with some of the other Sprint affiliates. We ultimately became Roberts Wireless, and then Alamosa, and then Sprint rolled us up. And being rolled up, after we went public and were bought by them, the wonderful sound of a roll-up is cha-ching, cha-ching. That led to us looking back at the broadcast side.

And then we looked at your auctions for some of your TV stations. Now you'd eliminated the process that we were accustomed to, but fortunately we learned the auction process.

The result was, we ended up buying stations in Jackson, Mississippi -- licenses for Jackson, Mississippi, and Columbia, South Carolina. And we used our own money to build those stations. Then we bought Evanston, Indiana.

Today, there are only about eight

African-American-owned television stations left in this country. We own four of them.

We also own a radio station that we bought that was owned by an African-American. He had about four of them. He went into bankruptcy. So we decided we would buy the one in Jackson, Mississippi, just to explore the prospect of having a radio station and TV station combo in the same market, pursuing the African-American community primarily. And that became a very interesting -- it's still a -- it's an effort that we're continuing to work with, but it's coming along.

I know I'm running short of time, so I want to just throw out a few other quick points.

You have must-carry provisions for those of us who are in the TV station ownership. I urge you to consider strongly to make certain that all of our digital channel opportunities are protected under must-carry provisions.

I'm going to suggest that any of us who are remaining, who are minority, in ownership, that recognizing the turn of the economy, that you give us a chance to have a holiday or a moratorium on paying fees to you. Give us a chance to hold that money back so that we can engage in appropriate type of programming costs.

Now, for our stations, we actually air a large number of minority, predominantly African-American-type programming. Now, many of those programmings have had challenges, because advertisers, our main advertisers are automobile dealerships. Well, we know what they've been like for the last 18 months.

So all of these pressures are upon us. So we look for considerations. For example, you've asked us to convert to digital in '09, and there was no money for it. So I would take a small station, like in Evansville, where it costs $2.5 million. Instead of being able to build it, what I did was drop a digital signal over my city of license. I worked with the great guy here, Clay Pendarvis, who works so hard to make sure that we stay alive, and what we found was, through must-carry, and because we central-cast all of our stations out of St. Louis, meaning we send our signal up on a satellite and bring it down, we could then, through must-carry, go into the cable head-ends in that community, and that way it was considerably less money.

But we still are looking to ultimately be able to do it in a more traditional way.

Tax credits toward the -- historic tax credits have always been something that we've used in developing. We own about three city blocks of downtown St. Louis, and we take old buildings and convert them. If you could take, for example, the cost of our programming and the cost of our build-outs, and give us tax credits that we could then, in turn, sell and bring cash into our properties, it could make quite the difference for us ultimately.

There's a variety of others that are in my written proposal to you this morning. I know we're short of time.

I just want to conclude by saying, you

know, we are the last African-American group owner of TV stations that are currently existing. Let's hope that we truly are not going to be the last ones, and that we can find ways to aggressively find new pursuits to bring a variety of ownership.

And I might add, on the employee side of things, our stations are all run by a woman], and I would say 98 percent of out employees are women and/or minorities.

Thank you very much.

MR. REED: Thank you, Michael. Our next guest is Sylvia Strobel. Sylvia is a senior partner in the entertainment law firm, Lehman Strobel, PLC. She has served as an attorney and business advisor to the media and entertainment communities for 20 years. In addition to founding Lehman Strobel, PLC, in '96, she has served as president and general manager of the Pennsylvania Public Television Network, and as an attorney and business affairs specialist for Twin Cities Public Television, Minneapolis/St. Paul, in the Corporation for Public Broadcasting.